
# What pensions do teachers want?

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## About the Education Policy Institute

## Acknowledgements

## About the authors

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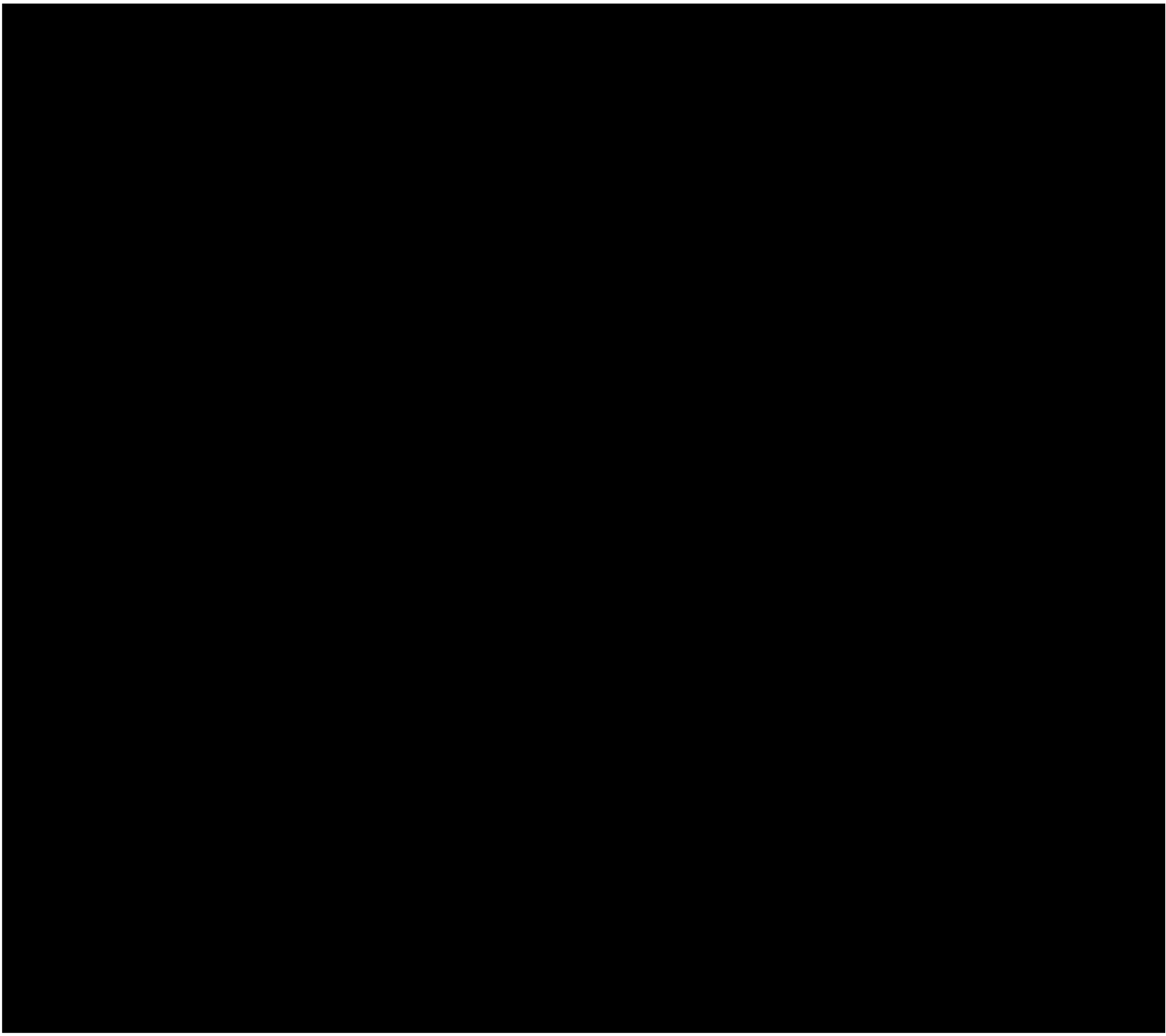

# Executive summary

## Teachers' pensions are generous but inflexible

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their contribution rate.

- Teachers must have at least two years of service to qualify for the TPS and, if they opt out, there is typically no alternative scheme available to them.
- In contrast, the minimum employer contribution to an employee's auto-enrolled, defined contribution pension is 8 per cent, and modelling suggests that a total contribution rate of 12 per cent over a lifetime will usually be sufficient to ensure a satisfactory retirement income. However, that adequacy depends upon the pension pot's investment returns and is not guaranteed. These schemes typically allow employees to vary their contribution rate as they please.

## What do teachers want?

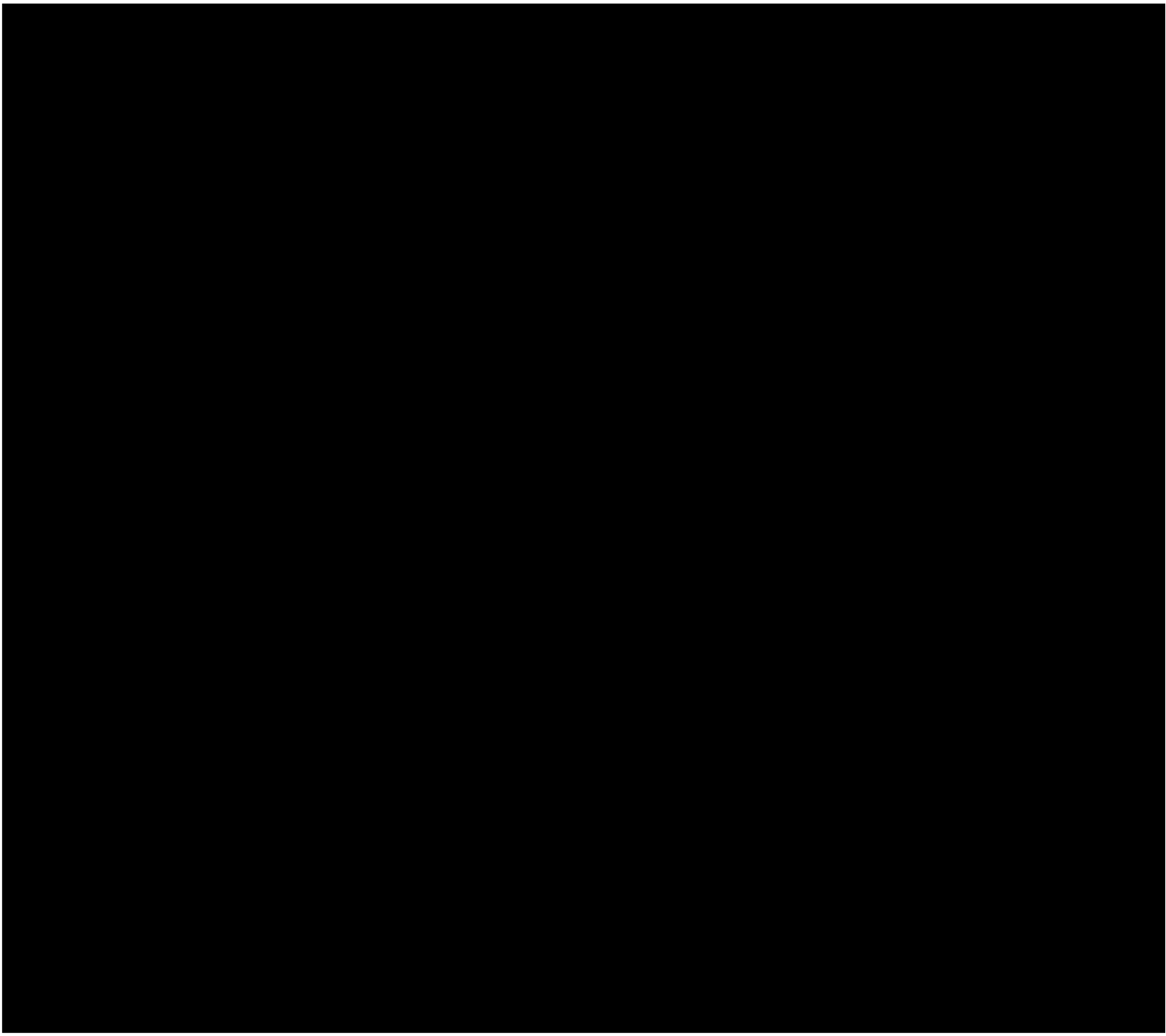
We conducted a survey in collaboration with Teacher Tapp, to reveal teachers' preferred compensation packages and understand the balance of salary and pension contributions. The survey presented 5,750 teachers with a series of choices between different compensation

## One in seven teachers would prefer a different pension arrangement

the TPS. A more attractive salary offer could help recruitment to the profession, as well as retention.

## Recommendations

- **Continue to permit schools to offer multiple pension plans:** A substantial minority of teachers clearly prefer to trade some retirement income for current salary, which is not currently possible within the TPS. Schools should be allowed to continue to offer alternative arrangements to their staff, alongside the TPS.
- **Investigate the possibility of providing flexibility within TPS:** The government should consider reviewing the TPS with recruitment and retention in mind. It may be that, as with schemes such as the civil service's, there is room to offer more flexibility within the TPS.
- **Conduct research on policy options:** Research should be conducted into the likely impact and consequences of various policy options, with the goal of offering a set of

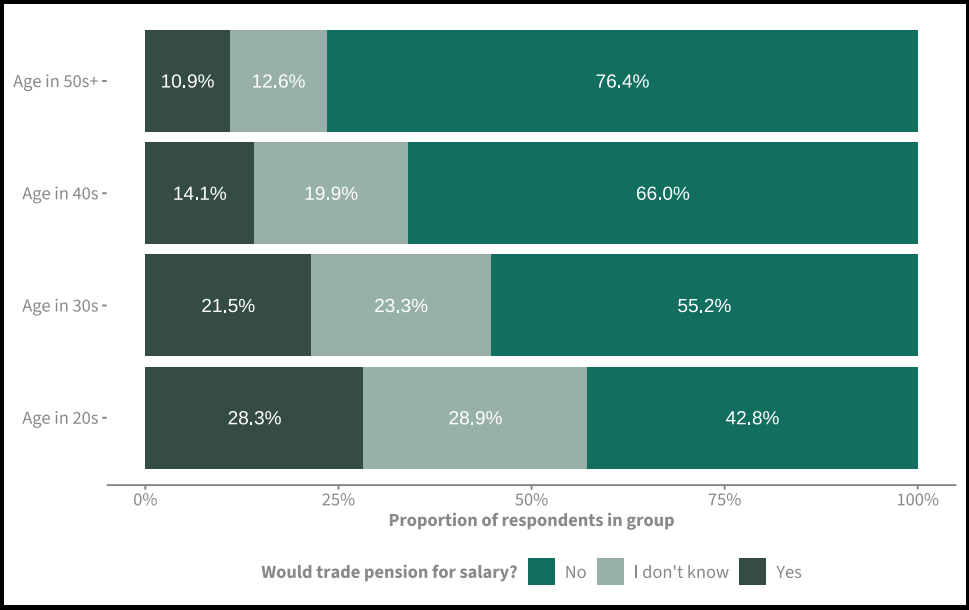


# Context

# Introduction

which mirrors the flexibility of many private sector pensions.[6] Then, in 2019, the Department of Health and Social Care conducted a well-received consultation on slightly increasing the flexibility

[1] James Zuccollo, "The Workforce Challenges Facing an Incoming Government," *Education Policy Institute* (https://epi.org.uk/publications-and-research/blog-the-workforce-challenges-facing-an-incoming-government/, June 2024).
[2] Dawson McLean, Jack Worth, and Andrew Smith, "Teacher Labour Market in England: Annual Report 2024" (NFER, 2024).
[3] Department for Education, "Evidence to the STRB: 2025 Pay Award for Teachers and Leaders" (UK: Department for Education, December 2024).
[4] Blessing Chiripanhura, "Public and Private Sector Earnings" (Office for National Statistics, September 2020).
[5] National Audit Office, "Public Service Pensions," Report -- Value for Money (London: National Audit Office, March 2021).
[6] "Partnership Pension Account," *Civil Service Pension Scheme* (https://www.civilservicepensionscheme.org.uk/knowledge-centre/pension-schemes/partnership-pension-account/, August 2024).




pension landscape for teachers in England, the potential changes, and which aspects of pensions teachers care most about.

## The landscape of teachers' pensions in England

The Teachers' Pension Scheme (TPS) is a cornerstone of the compensation package for teachers in England, providing a defined benefit pension that guarantees a specific income in retirement. It is a public sector pension scheme, backed by the government, and offers generous benefits, many of which are unavailable in typical workplace pensions. As of 2025, all serving teachers are now auto

[7] Department of Health and Social Care, "NHS Pension Scheme: Increased Flexibility," *GOV.UK* (https://www.gov.uk/government/consultations/nhs-pension-scheme-increased-flexibility, September 2019).
[8] Jon Coles, "Why We're Reforming Our Pension Offer," *Schools Week*, July 2024.
[9] Lucas Cumiskey, "Unions Lobby Phillipson over United Learning Pension Plans," July 2024.
[10] James Zuccollo, "Do Teachers Want Pension Flexibility?" *Education Policy Institute*, August 2024.

## Impact of increased TPS contribution rates on schools

Schools' required employer contribution to the TPS has increased significantly over the past fifteen years, from 14.1 per cent in 2012 to 28.6 per cent in 2024, reflecting the rising cost of providing guaranteed pension benefits to teachers. This has placed a significant financial burden on schools, particularly independent schools, which do not receive government funding to cover the increased contributions.[13] For state-funded schools, the government committed to funding the increased contributions for the 2024/25 financial year but that is still money that could have been used elsewhere in the Department for Education's budget.

[11] Teachers' Pensions, "Valuation of Teachers' Pensions," *Teachers' Pensions* (https://www.teacherspensions.co.uk/employers/employer-faqs/valuation.aspx, 2021).
[12] Teachers' Pensions.
[13] Neil Barton, "Latest Update – Independent Schools Leaving the Teachers' Pension Scheme," *Broadstone*, April 2021.

## Previous research

Teachers' pensions have not always been a topic of intense interest in England, but there has been considerable research done in the US, particularly in the context of public sector compensation and retirement planning.

### Evidence from the US

A significant body of research has focused on teachers' willingness to pay for various retirement benefits. Fuchsman, McGee, and Zamarro (2020) conducted a nationally representative survey using a discrete choice experiment (DCE) to estimate teachers' willingness to pay for different

[14] Barton.
[15] Teachers' Pensions, "Valuation of Teachers' Pensions."
[16] Coles, "Why We're Reforming Our Pension Offer."

## Evidence from England

averse and value losses almost three times as highly as gains. A 1 per cent increase in final pension was valued at only 0.55 per cent of current pay, but a 1 per cent loss in final pension would require

[17] Dillon Fuchsman, Josh B. McGee, and Gema Zamarro, "Teachers' Willingness To Pay For Retirement Benefits: A National Stated Preferences Experiment," *EdWorkingPapers.com* (Annenberg Institute at Brown University, October 2020).
[18] Andrew C. Johnston and Jonah Rockoff, "Pension Reform and Labor Supply," *EdWorkingPapers.com* (Annenberg Institute at Brown University, May 2022).
[19] Cory Koedel and Michael Podgursky, "Teacher Pension Systems, the Composition of the Teaching Workforce, and Teacher Quality. Working Paper 72." *National Center for Analysis of Longitudinal Data in Education Research*, 2012.
[20] Barbara Biasi, "Salaries, Pensions, and the Retention of Public-Sector Employees: Evidence from Wisconsin Teachers" (Working Paper, July 2024).

[21] Peter Burge, Hui Lu, and William Phillips, “Understanding Teaching Retention: Using a Discrete Choice Experiment to Measure Teacher Retention in England,” February 2021.

# Results

## Survey design

We then used a statistical model to estimate the impact of each attribute on the probability of choosing a compensation package.

### Interpreting the results

The results of the model are presented in two ways:

- **Average marginal component effects (AMCEs)**: These represent the average change in the probability of choosing a compensation package associated with a one-unit change in the attribute level. For example, an AMCE of 0.05 for a 10 per cent higher salary means that a 10 per cent increase in salary increases the probability of choosing that compensation package by 5 percentage points. We show these effects with 95 per cent confidence intervals in each chart below.
- **Preference shares**: These represent the proportion of teachers who prefer a compensation package with a specific set of attributes. For example, a preference share of 0.9 for a 5 per cent higher salary, relative to the status quo means that 90 per cent of

# Survey results

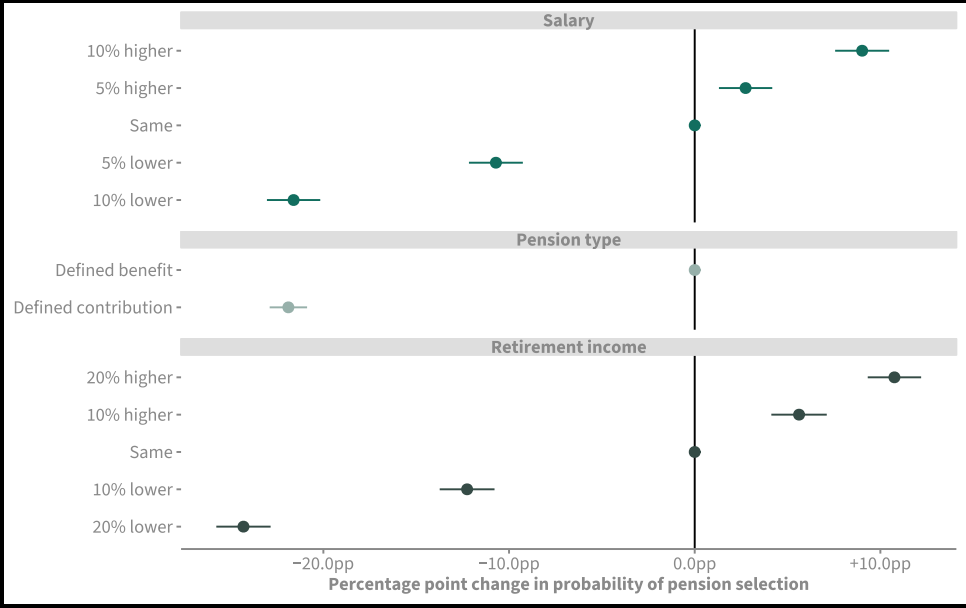
## Which pension scheme do teachers currently have?

| Pension scheme | State-funded school | Independent school |
|---|---|---|
| Teachers' Pension Scheme (TPS) | 96.4% (5,267) | 55.1% (239) |
| Another employer pension scheme | 0.7% (38) | 43.1% (187) |
| I don't know | 1.6% (86) | 0.5% (2) |
| Not currently enrolled in an employer pension scheme | 1.4% (74) | 1.4% (6) |

## What do teachers value about their compensation?

Here we present the results of the discrete choice experiment. The results show how teachers value different attributes of their compensation package and how they trade off between salary, pension, and pension type.

Figure 2 below shows the AMCEs of the pension attributes on the probability of choosing an option. Each point on the chart shows the change in probability of choosing a compensation package if it has the specified attribute, rather than the status quo. For example, it shows that having a salary 10 per cent higher makes the average teacher about 9 percentage points more likely to choose a compensation package, relative to salary remaining the same. Similarly, the prospect of a DC pension makes a teacher about 22 percentage points less likely to choose a compensation package, relative to having a DB pension, when all other attributes are held constant.




## Salary and retirement income

respondents valued a 1 per cent increase in retirement income as much as a 0.62 per cent increase in salary, meaning that salary increases are 1.6 times as valuable as pension increases.

This finding is consistent with the only other similar experiment to address this question with teachers in England. Burge, Lu, and Phillips[22] found that a "1 per cent increase in final pension was valued equivalent to a 0.5 per cent increase in annual pay".

## The value of certainty

In general, people prefer certainty and are willing to pay a premium for it. They will accept a lower expected income if it is guaranteed. In the context of pensions, a defined benefit scheme, like the

[22] "Understanding Teaching Retention."

## Loss aversion

## Differences by teacher characteristics

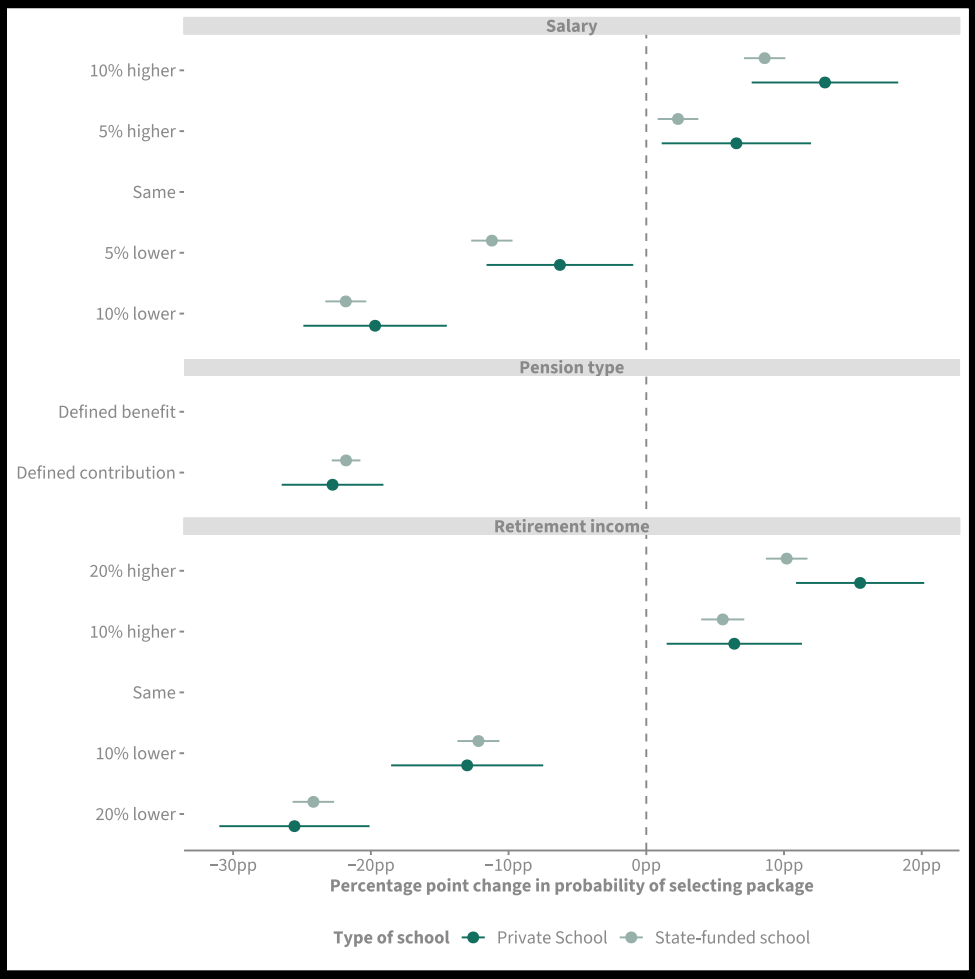
on their individual characteristics. To explore this, we can estimate the differences in the AMCEs between groups.

Drawing on our previous analysis, we examined the following teacher characteristics:[24]

- School funding: state-funded school or private school.
- Age.
- Salary.
- Current pension scheme: TPS or another scheme.
- Career intentions: how long teachers expect to stay in the profession.

[23] Fuchsman, McGee, and Zamarro, "Teachers' Willingness To Pay For Retirement Benefits."
[24] Zuccollo, "Do Teachers Want Pension Flexibility?"

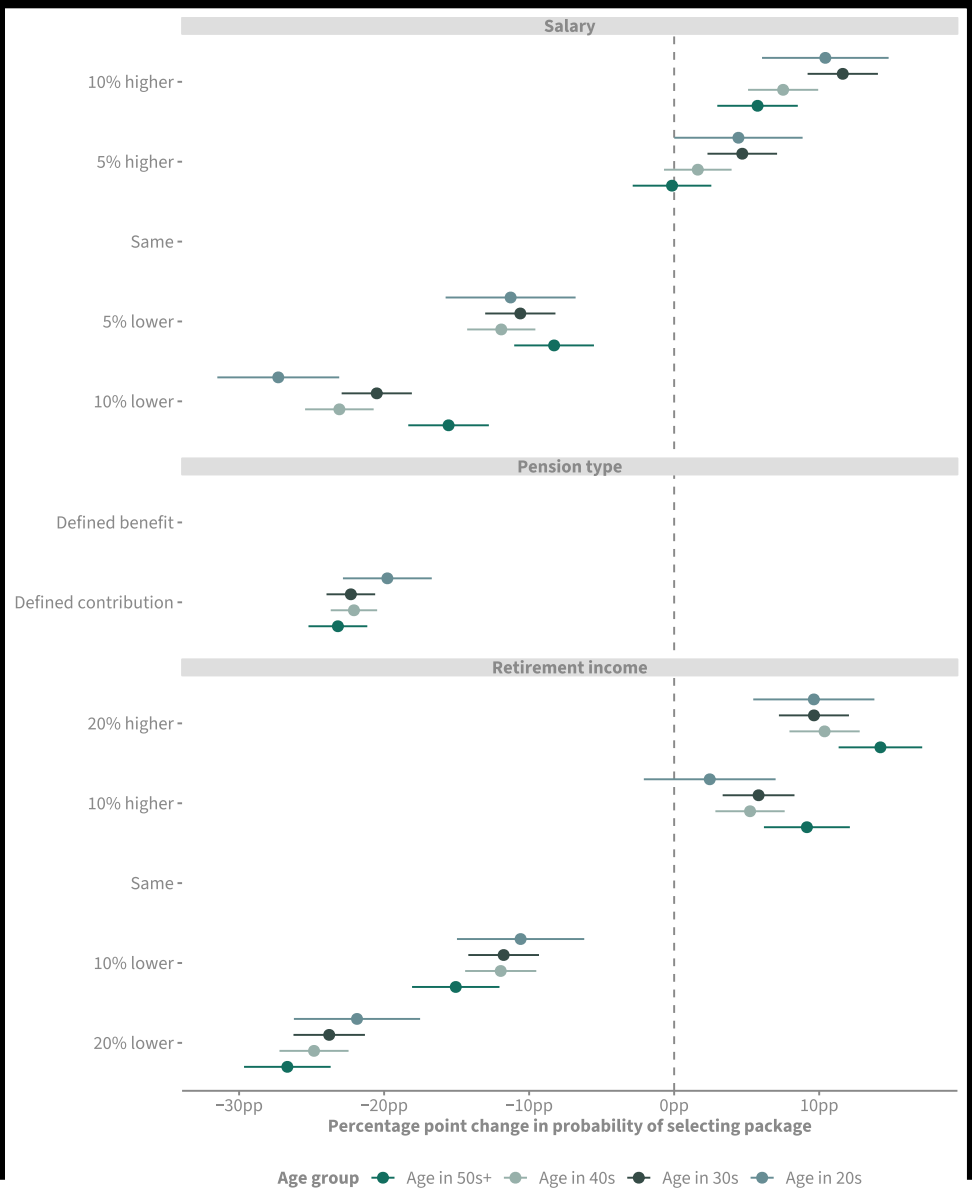
## School funding




**Age**

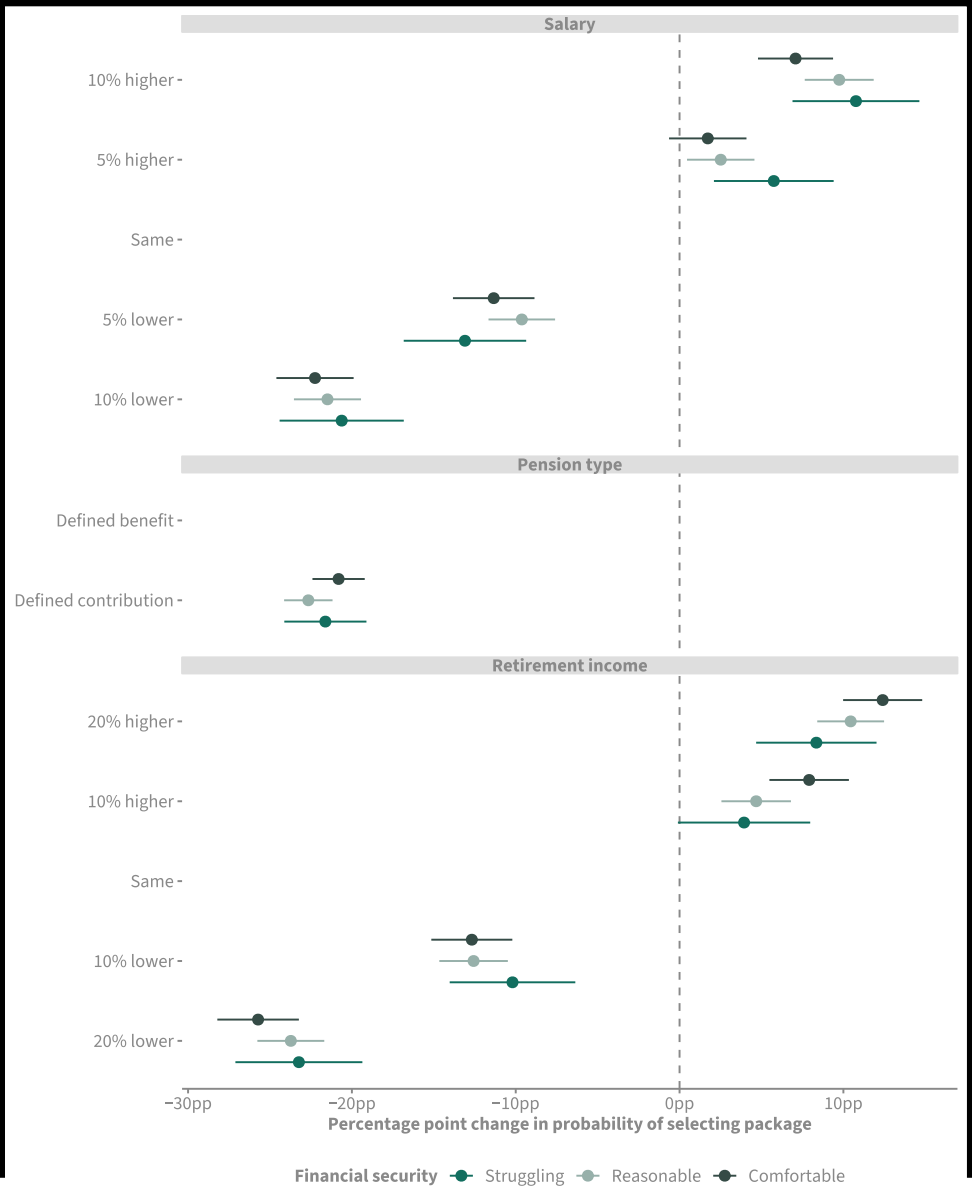
(Figure 4). Teachers in their twenties are also slightly less averse to having a DC pension than teachers in their fifties.

[25] Zuccollo, "Do Teachers Want Pension Flexibility?"; Fuchsman, McGee, and Zamarro, "Teachers' Willingness To Pay For Retirement Benefits."




## Financial security

Teachers who are more financially secure are generally less sensitive to salary increases and more sensitive to pension increases.

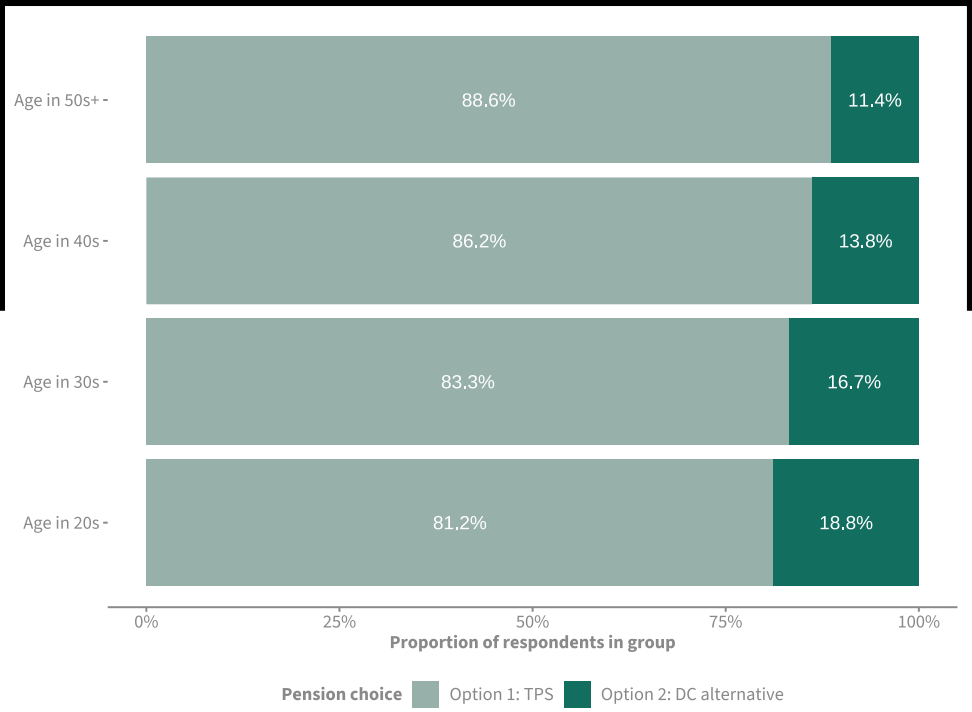



## Simulating policy changes

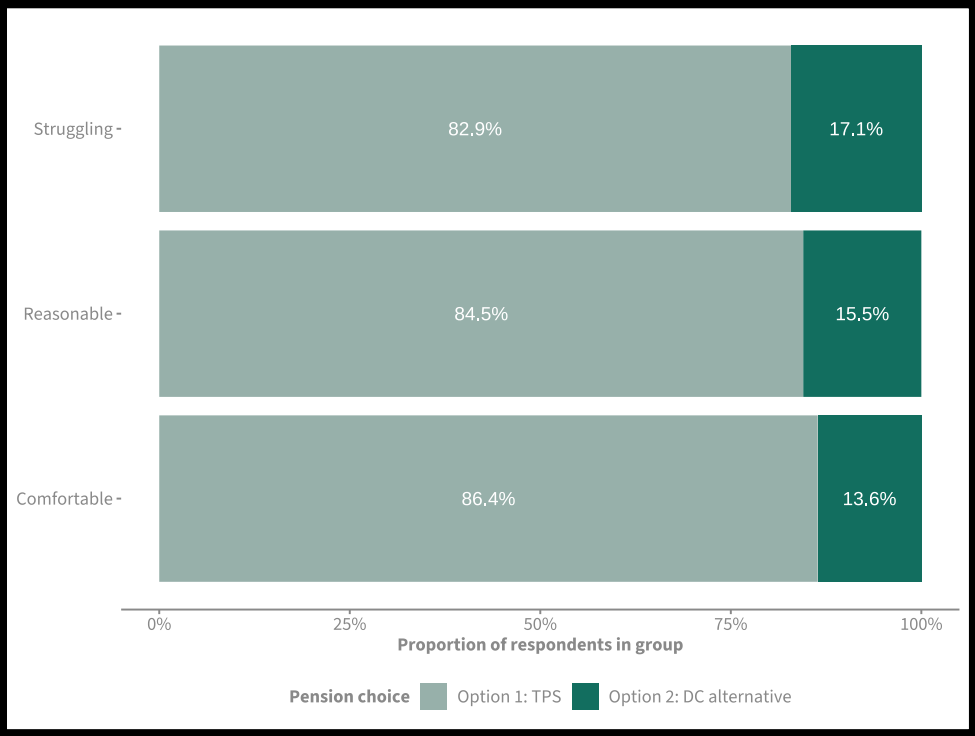
One of the key findings from the analysis is that teachers value salary more than pension. This suggests that some teachers would be willing to accept a lower pension in exchange for a higher salary. To understand how many would like to switch, we can simulate a policy change where teachers are offered a choice between a compensation package with a higher salary and a lower pension, and their current compensation package, and estimate how many teachers would switch.[26]

[26] Chris Chapman and Elea McDonnell Feit, *R For Marketing Research and Analytics*, Use R! (Cham: Springer International Publishing, 2019), https://doi.org/10.1007/978-3-030-14316-9.

| Attribute | Option 1: TPS | Option 2: DC alternative |
|---|---|---|
| **Salary** | Same | 10 per cent higher |
| **Pension** | Same | 20 per cent lower |
| **Pension type** | Defined benefit | Defined contribution |




The same is true of teachers who are experiencing financial insecurity. Teachers who are financially struggling are a quarter more likely to want to trade pension entitlement for salary than teachers who are financially comfortably (Figure 7). Teachers who are financially secure are less likely to switch, but still a substantial minority would choose the new compensation package.


Struggling
Reasonable
Comfortable
82.9%
17.1%
84.5%
15.5%
86.4%
13.6%
0%
25%
50%
75%
100%
Proportion of respondents in group
Pension choice
Option 1: TPS
Option 2: DC alternative

# Implications

# Policy implications

## Consequences of the findings

also possible that the preferences of those who have not yet entered the profession are different. Providing flexibility around compensation may be a way to attract and retain teachers whose preferences are not currently being met by the inflexibility of the TPS.

## Potential impact of policy changes

The goal of any changes around pension provision should be to attract and retain high-quality teachers. These findings indicate that there are a substantial minority of teachers who would like to trade some pension for salary, particularly younger teachers and those with financial insecurity. Previous work has indicated that increasing pay for early-career teachers has an elasticity of exits

# Recommendations

### Allow pension flexibility

**Recommendation:** Continue to permit schools to offer multiple pension plans to their staff.

**Rationale:** A substantial minority of teachers clearly prefer to trade some retirement income for current salary, which is not currently possible within the TPS. Schools should be allowed to continue to offer alternative arrangements to their staff, alongside the TPS.

[27] Jo Hutchinson et al., "Incentives to Recruit and Retain Teachers in Wales" (London: Education Policy Institute, November 2024); Sam Sims, "What Happens When You Pay Shortage-Subject Teachers More Money? Simulating the Effects of Early-Career Salary Supplements on Teacher Supply in England" (London: The Gatsby Charitable Foundation, November 2017).
[28] Which?, "Top up the Pots: Achieving Adequate Retirement Incomes with Automatic Enrolment," Policy Report (London: Which?, May 2019).

Investigate the possibility of providing flexibility within TPS

Conduct research on policy options

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https://doi.org/10.1007/978-3-030-14316-9

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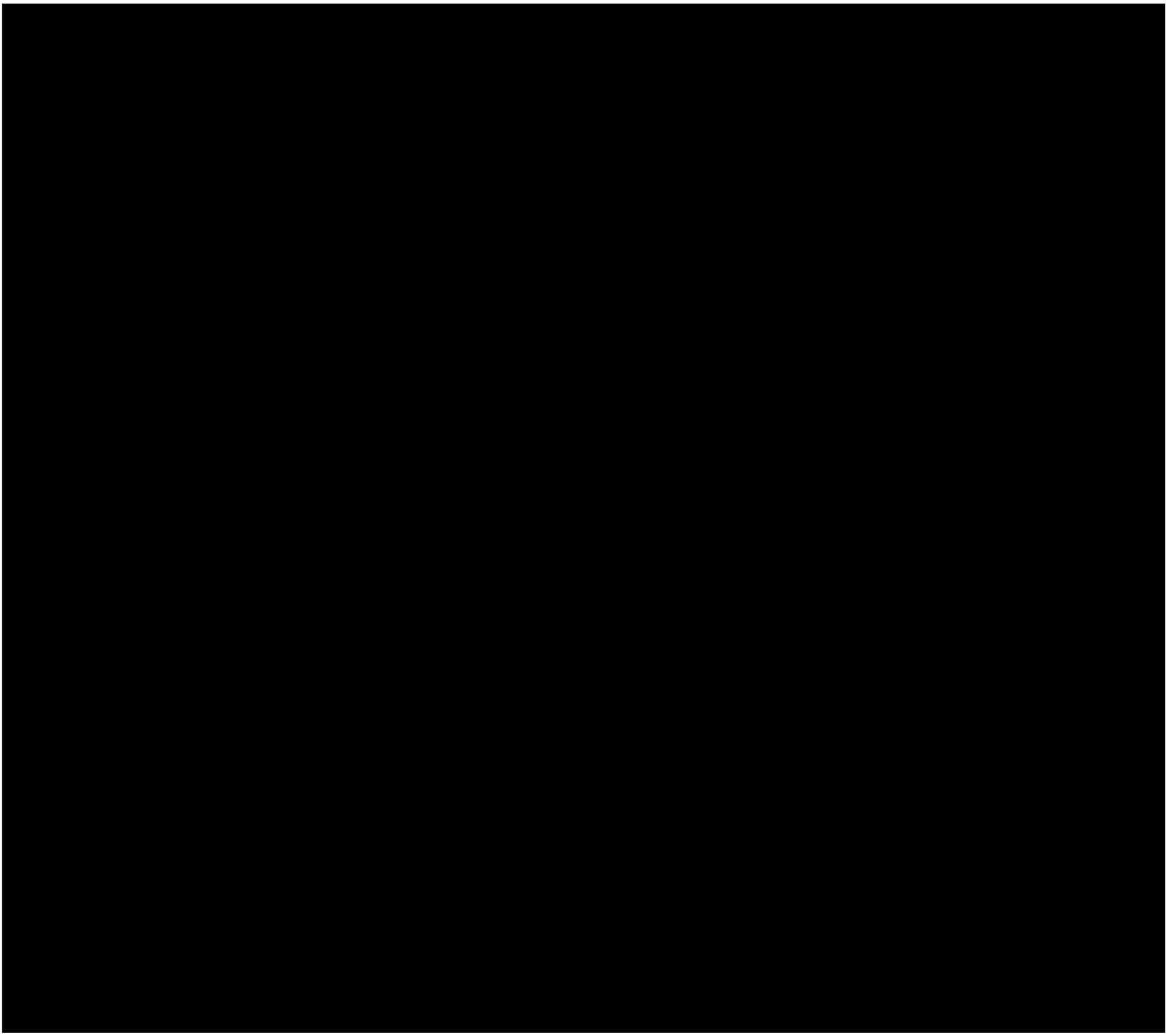
Koedel, Cory, and Michael Podgursky. "Teacher Pension Systems, the Composition of the Teaching Workforce, and Teacher Quality. Working Paper 72." *National Center for Analysis of Longitudinal Data in Education Research*, 2012.

McLean, Dawson, Jack Worth, and Andrew Smith. "Teacher Labour Market in England: Annual Report 2024." NFER, 2024.

National Audit Office. "Public Service Pensions." Report -- {{Value}} for Money. London: National Audit Office, March 2021.



# Annex

## Survey

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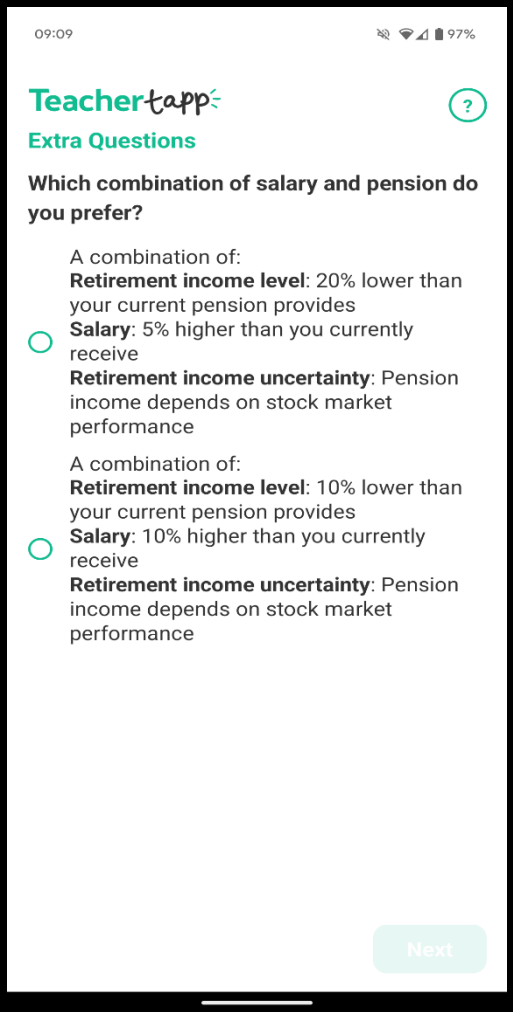



- 
- The teacher's current salary.
- Whether the teacher expected to be a teacher in three years' time (ie career intentions).
- Whether the teacher's household earns enough to live on and save (ie financial security). Response options for this attribute are abbreviated in Table 3. The options shown to teachers were:
    - Yes, comfortably (e.g. we are able to take a holiday abroad each year)
    - Yes, reasonably comfortably (e.g. our salaries cover our bills and expenses each month with a little left over)
    - No, we are scraping by (e.g. sometimes we cannot cover our monthly bills and expenses)
    - No, our income falls well short of how much we need to run our household
    - Would prefer not to say

## Discrete choice analysis

- $\beta$ are the coefficients to be estimated, representing the importance of each attribute.

The probability that teacher $i$ chooses compensation package $j$ over another package $k$ is given by the logistic choice probability:

$$P_{ij} = \frac{\exp(V_{ij})}{\exp(V_{ij}) + \exp(V_{ik})}$$

where $V_{ij}$ and $V_{ik}$ are the systematic utilities of the two options in the choice set.

The parameters $\beta_1, \beta_2, \beta_3$ are estimated using a logistic regression model, where the dependent variable is the binary choice indicator (1 if the option is chosen, 0 otherwise), and the independent variables are the attributes of the compensation packages. This setup allows us to quantify the impact of each attribute on the probability of choosing a compensation package, providing insights into teachers' preferences for various aspects of their compensation.

*survey*

# Data

## Data cleaning

- School type
- Age
- Salary
- Financial security
- Career intentions

Doing that drops 2,240 responses, which accounts for 224 of our 5,929 respondents, and leaves us with 57,050 responses for our discrete choice analysis from 5,705 respondents.

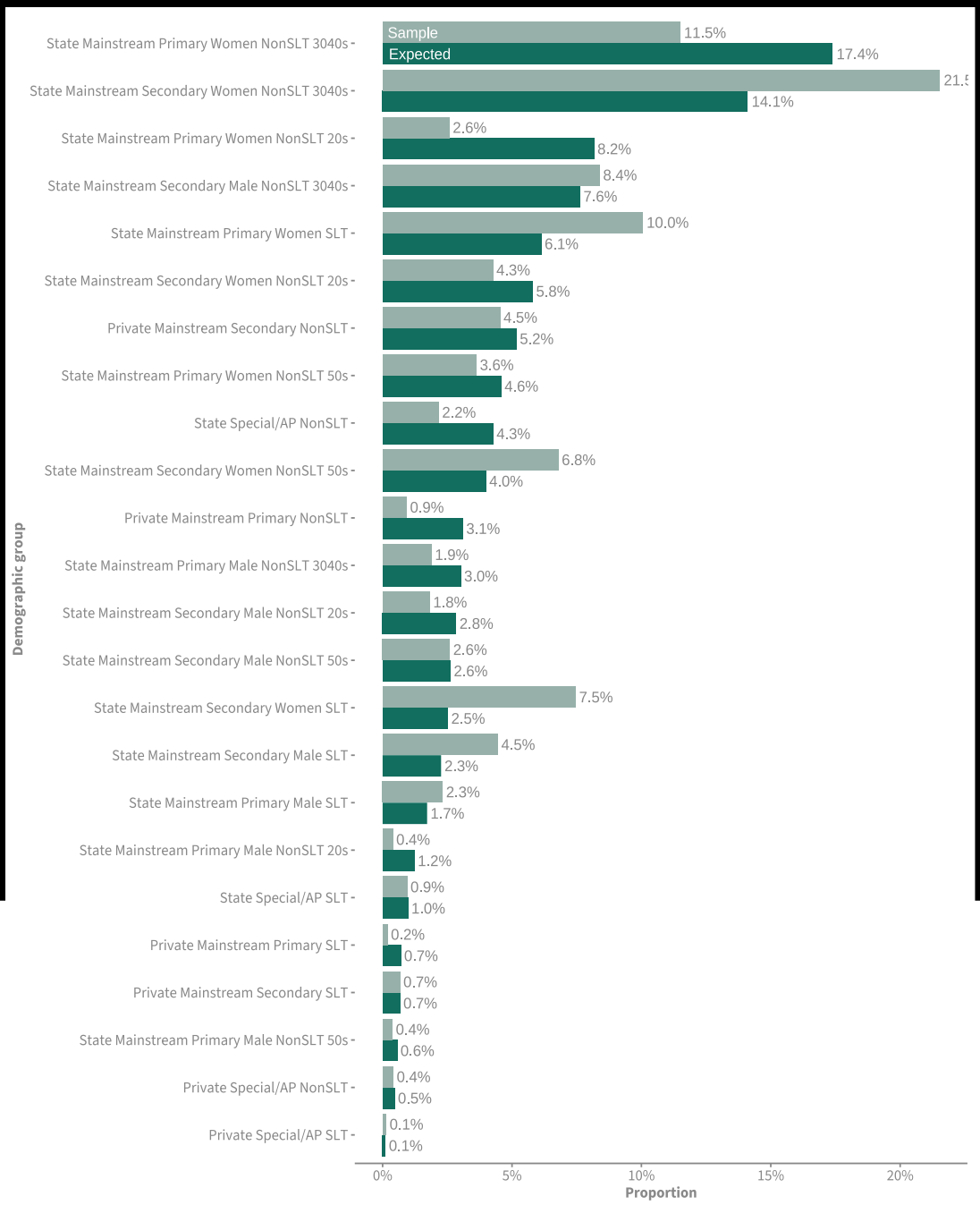
## Descriptive statistics

Table 3 displays unweighted descriptive statistics for the key demographic variables in the sample at respondent level.

| Characteristic | Level | N (%) |
|---|---|---|
| Age group | Age in 20s | 602 (10%) |
| | Age in 30s | 1,876 (32%) |
| | Age in 40s | 2,051 (35%) |
| | Age in 50s+ | 1,391 (23%) |
| | Unknown | 9 |
| | | |
| Gender | Female | 4,406 (75%) |
| | Male | 1,489 (25%) |
| | Unknown | 34 |
| | | |
| Teaching experience | Less than 5 years | 730 (12%) |
| | Between 5 and 10 years | 1,194 (20%) |
| | Between 10 and 20 years | 2,204 (37%) |
| | Over 20 years | 1,770 (30%) |
| | Unknown | 31 |
| | | |
| Funding source | State-funded school | 5,480 (93%) |
| | Private School | 434 (7.3%) |
| | Unknown | 15 |
| | | |
| Phase of education | Primary | 2,054 (35%) |
| | Secondary | 3,875 (65%) |
| | | |
| Seniority | Headteacher | 352 (5.9%) |
| | SLT (excl head) | 1,194 (20%) |
| | Middle Leader | 2,419 (41%) |
| | Classroom Teacher | 1,964 (33%) |
| | | |
| Region | North West | 653 (11%) |
| | Yorkshire and North East | 723 (12%) |
| | East of England | 781 (13%) |
| | Midlands | 1,051 (18%) |
| | South West | 659 (11%) |
| | London | 735 (12%) |
| | South East | 1,327 (22%) |
| | | |
| Subject taught | Science | 839 (18%) |
| | KS2 | 1,150 (25%) |
| | Maths | 668 (14%) |
| | Humanities | 734 (16%) |
| | English | 678 (15%) |
| | EYFS/KS1 | 541 (12%) |
| | Unknown | 1,319 |
| | | |

| | | |
|---|---|---|
| Number of children at home | No children at home | 2,681 (46%) |
| | Under 5 | 808 (14%) |
| | 5-11 years | 969 (16%) |
| | Over 11 years | 1,424 (24%) |
| | Unknown | 47 |
| | | |
| Financial security | Comfortable | 2,061 (35%) |
| | Reasonable | 2,954 (50%) |
| | Scraping by | 767 (13%) |
| | Falling short | 75 (1.3%) |
| | Prefer not to say | 51 (0.9%) |
| | Not relevant / cannot answer | 20 (0.3%) |
| | Unknown | 1 |
| | | |
| Current pension scheme | Teachers' Pension Scheme (TPS) | 5,519 (93%) |
| | Another employer pension scheme | 226 (3.8%) |
| | I don't know | 88 (1.5%) |
| | Not currently enrolled in an employer pension scheme | 80 (1.4%) |
| | Not relevant / cannot answer | 3 (<0.1%) |
| | Unknown | 13 |
| | | |
| In teaching in three years? | Yes, most likely | 3,506 (59%) |
| | Perhaps | 1,519 (26%) |
| | No, probably not | 742 (13%) |
| | Don't know | 133 (2.2%) |
| | Not relevant / cannot answer | 16 (0.3%) |
| | Unknown | 13 |
| | | |
| Salary | less than £24,000 | 96 (1.6%) |
| | £24,000 to £34,999 | 695 (12%) |
| | £35,000 to £44,999 | 1,338 (23%) |
| | £45,000 to £54,999 | 1,838 (31%) |
| | £55,000 to £64,999 | 929 (16%) |
| | £65,000 to £74,999 | 460 (7.8%) |
| | £75,000 to £84,999 | 189 (3.2%) |
| | £85,000 to £94,999 | 67 (1.1%) |
| | £95,000 to £104,999 | 42 (0.7%) |
| | £105,000 or more | 39 (0.7%) |
| | Not relevant / cannot answer | 23 (0.4%) |
| | I don't want to say | 212 (3.6%) |
| | Unknown | 1 |
| | | |

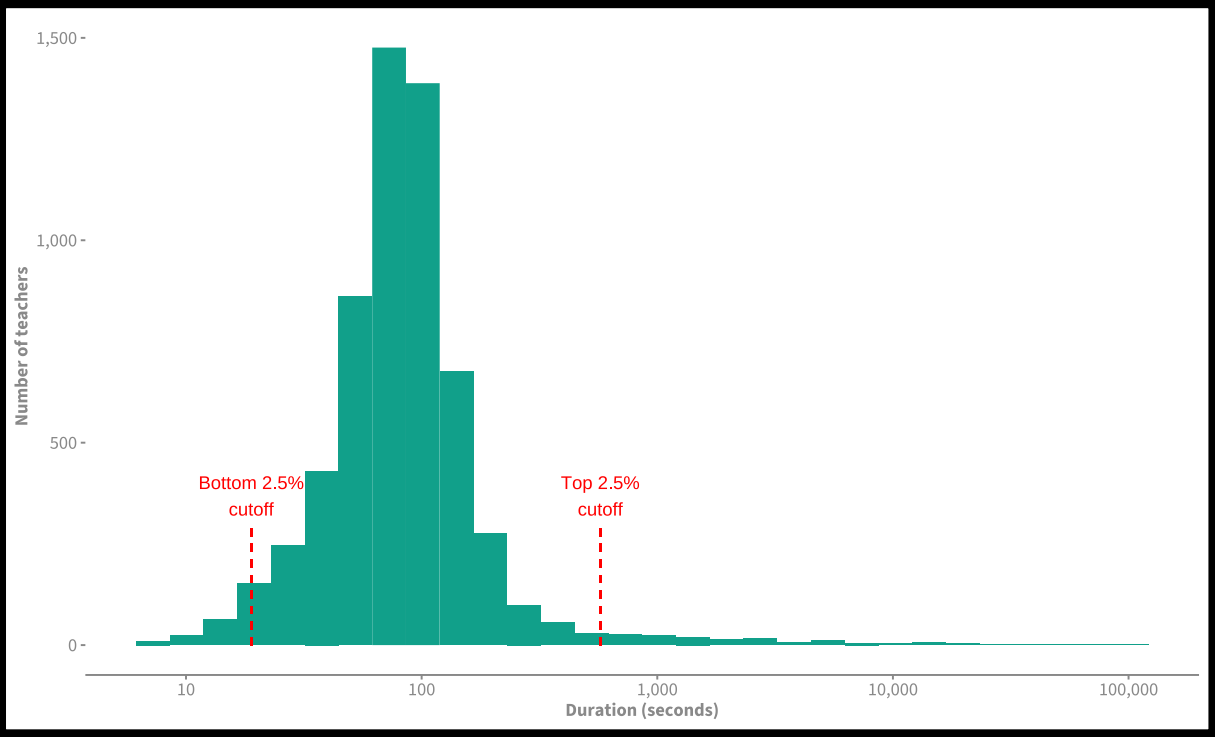
## Sample demographics




# Inattention

Inattention in a discrete choice experiment can lead to biased estimates if teachers are not paying attention to the survey. We check for several specific forms of inattention.

## Time taken to complete the survey




## Dominated responses

Inattention can also be detected by looking at the distribution of responses to the choice sets. If teachers are not paying attention, we would expect the responses to be either random or to follow a pattern where they always choose the same option.

Random responses are hard to detect because they can be indistinguishable from true preferences. However, we can look for choice sets where a teacher chooses a strictly dominated option. A strictly dominated option is one where there is another option that is better in every respect. If a teacher chooses a strictly dominated option, it suggests that they are not paying attention.

Table 4 below shows the number of dominated options chosen by respondents.

| Number of dominated options chosen (of 5 total) | Number of respondents |
|---|---|
| 0 | 4471 |
| 1 | 928 |
| 2 | 249 |
| 3 | 52 |
| 4 | 5 |

## Straightlining

| Always chose the same option | Number of respondents | Proportion of respondents |
|---|---|---|
| FALSE | 5041 | 88.36% |
| TRUE | 664 | 11.64% |

## Comparison of inattention results

For each of the three types of inattention, we have re-estimated the core results using only the unaffected responses. The results in Figure 11 show that the core results are robust to inattention. The estimates of the coefficients are similar across all models, suggesting that inattention is not a significant issue in this survey.

| | Core (n=57,017) | | Time taken (n=53,949) | | Dominated (n=55,383) | | Straightlining (n=50,361) | |
|---|---|---|---|---|---|---|---|---|
| | log(OR) | SE | log(OR) | SE | log(OR) | SE | log(OR) | SE |
| **Salary level** | | | | | | | | |
| 10% lower | -1.0*** | 0.036 | -1.1*** | 0.037 | -1.1*** | 0.037 | -1.1*** | 0.038 |
| 5% lower | -0.49*** | 0.034 | -0.52*** | 0.035 | -0.54*** | 0.035 | -0.52*** | 0.036 |
| 5% higher | 0.13*** | 0.034 | 0.14*** | 0.035 | 0.16*** | 0.035 | 0.14*** | 0.036 |
| 10% higher | 0.42*** | 0.035 | 0.43*** | 0.036 | 0.50*** | 0.036 | 0.45*** | 0.037 |
| **Retirement income** | | | | | | | | |
| 20% lower | -1.1*** | 0.037 | -1.2*** | 0.038 | -1.3*** | 0.038 | -1.2*** | 0.039 |
| 10% lower | -0.55*** | 0.034 | -0.57*** | 0.035 | -0.58*** | 0.036 | -0.59*** | 0.037 |
| 10% higher | 0.26*** | 0.035 | 0.27*** | 0.036 | 0.30*** | 0.036 | 0.27*** | 0.037 |
| 20% higher | 0.50*** | 0.034 | 0.52*** | 0.035 | 0.58*** | 0.035 | 0.53*** | 0.037 |
| **Pension type** | | | | | | | | |
| Defined contribution | -1.0*** | 0.025 | -1.0*** | 0.025 | -1.1*** | 0.025 | -1.1*** | 0.026 |